

PUDO INC.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTERLY HIGHLIGHTS

FOR THE THREE AND SIX MONTH PERIODS ENDED

AUGUST 31, 2021 and 2020

(EXPRESSED IN CANADIAN DOLLARS)

Prepared by:

PUDO Inc.

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Interim Management's Discussion & Analysis - Quarterly Highlights
Three and six month periods ended August 31, 2021
Discussion dated: September 28, 2021

Introduction

The following interim Management's Discussion and Analysis – Quarterly Highlights (the “Quarterly Highlights”) of the financial condition and results of the operations of PUDO Inc. (“PUDO” or the “Company”) constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six month periods ended August 31, 2021 (“Q2 FY 2022”), together with certain trends and factors that are expected to have an impact in the future.

These Quarterly Highlights have been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and six month periods ended August 31, 2021, the audited annual consolidated financial statements of the Company for the years ended February 28, 2021 and February 29, 2020, together with the notes thereto, and the Management's Discussion and Analysis (“Annual MD&A”) Report of the Company for the year ended February 28, 2021. All dollar amounts are expressed in Canadian dollars unless otherwise noted.

The Company's unaudited condensed interim consolidated financial statements and financial information contained in these Quarterly Highlights were prepared in compliance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) using the accounting policies the Company adopted in its annual consolidated financial statements as at and for the year ended February 28, 2021, except for the adoption of new standards effective as of March 1, 2021 and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

The Company's fiscal year end is February 28.

Further information regarding the Company and its operations are available on the Company's website at www.pudopoint.com and under the Company's SEDAR issuer profile at www.sedar.com, or upon request to the Company at 6600 Goreway Drive Unit D, Mississauga, Ontario, Canada, L4V 1S6.

Description of Business

PUDO is listed on the Canadian Securities Exchange (“CSE”) under the symbol “PDO” and on the OTCQB exchange under the symbol “PDPTF”.

PUDO's purpose is to improve the connection between retailers and consumers through e-commerce. PUDO deploys their technology to provide consumers with convenient locations to Pick-Up or Drop-Off (“PUDO” or “Network”) e-commerce parcels. Through collaboration with online retailers, third party logistics companies (“3PL”), Software as a Service (“SaaS”) providers and courier companies, consumers can take secure delivery of their parcels or drop-off returns where, and when, it's convenient for them.

Existing businesses, such as convenience stores or gas stations, provide services as a PUDOpoint™ (“PUDOpoint”). PUDOpoints are typically open extended hours, seven days a week to make it convenient for busy consumers to quickly and efficiently collect what they've ordered online or drop off what they need to return. The Company deploys its technology to provide consumers with convenient PUDOpoints (the “Network”) to pick-up and drop-off (“PUDO”) e-commerce parcels.

The Company's services provide courier companies and retailers with a presence in a broad variety of locations to better serve their customers. Not only convenient, these services can also save money. Couriers don't have to attempt delivery a second or third time or make other arrangements with customers who aren't home. Retailers can ship directly to PUDOpoints saving residential delivery costs and reducing the risk of theft or spoilage. PUDO also helps retailers reduce the cost and increase the convenience of their returns program. Consumers can drop off pre-labeled parcels at any PUDOpoint for processing back to the retailer.

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Cautionary Note Regarding Forward-Looking Information

These Quarterly Highlights contain certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements related to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements address possible future events, conditions and financial performance based upon management's current expectations, estimates, projections and assumptions.

Management of the Company considers the assumptions on which the forward-looking information contained herein are based to be reasonable. However, by its very nature, forward-looking statements inherently involve known and unknown risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. Such risks include, without limitation those risks discussed in the "Risk Factors" section of PUDO's Annual MD&A dated May 26, 2021.

All forward-looking statements herein are expressly qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in these Quarterly Highlights are made only as of the date of these Quarterly Highlights or as of the date specified in such statement. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Highlights

The World Health Organization declared a global emergency on January 30, 2020 as a result of the 2019 novel coronavirus ("COVID-19"), then characterized it as a pandemic on March 11, 2020. The outbreak spread globally causing companies and various jurisdictions, including Canada and the United States, to impose restrictions, such as quarantines, closures, cancellations, and travel restrictions including closing the Canada – United States border. While these effects were expected to be temporary, and although some vaccines are being approved and administered, the duration of the business disruptions and the related financial impact cannot be reasonably estimated at this time. PUDO's consolidated results in FY 2022 have been negatively impacted by this event. The impact and extent of the outbreak continues to be unknown and will depend on future developments. The Company's employees were able to work from home to manage the PUDO Network in support of its partners and customers.

Below are a few Company highlights during Q2 FY 2022:

- 📍 For the six months ended August 31, 2021, revenue increased \$379,963 to \$963,281 representing a 65.1% increase over the same period in the prior year as a result of the utilization of PUDO services.
- 📍 Management continued to invest in ongoing software development to enhance PUDO's current software technology and database structure to better manage the software application programming interface ("API") integrations of PUDO's existing and new service offerings with current and new partners.
- 📍 On August 4, 2021 PUDO announced a landmark agreement with Turning Point Brands Inc. ("TPB") (NYSE: TPB), a manufacturer, marketer and distributor of branded consumer products, including

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alternative smoking accessories and consumables with active ingredients. This 15-Billion-dollar industry is expected to expand at a compound annual growth rate (CAGR) of 28% from 2021 to 2028. Recent legislation impacted the available options for the delivery of vaping products, which in 2020 was in excess of 100 million parcel deliveries in the US. PUDO will be the definitive vaping industry's delivery solution, leveraging the PUDOpoint Counter locations that continues to expand in the USA and Canada.
https://webfiles.thecse.com/2021-08-04_PUDO_and_TPBI_Announcement_Publish.pdf?FRGTXhH9bulse1efXqZC5glkGEtnZLyi

Capital Resources

During Q2 FY2022, there were nil capital transactions completed.

Operations

PUDOpoint Network

The Company continued to focus on optimizing the PUDO Network to increase alignment with partner parcel volumes while leveraging the Network to develop new partner relationships and services that further enhance revenue opportunities. These focused efforts resulted in a new service being added and increased parcel volumes in PUDO's core revenue streams in the first half of this fiscal year from many of its current partners. IT integration and enhancements remain a strategic focus as the Company looks to increase efficiencies, add new partners, and grow revenue. Through strategic partnerships the Company is positioned well to add new PUDOpoint locations in Canada and the USA. This will provide new e-commerce retail partner locations for residential redirects, increased parcel volumes for direct to PUDOpoint deliveries, and add new revenue service offerings in the coming quarters. The Network remains uniquely positioned to offer cost effective convenient services for returns and to consumers who are looking for an alternative to home delivery.

Parcel Volume Analysis

Parcel volume and other factors within the e-commerce ecosystem can affect PUDO's goals and performance during its continued growth and evolution. During Q2 FY 2022 the COVID-19 pandemic impacted overall parcel volume being delivered within the PUDO Network. With many businesses shut down or working at reduced capacity and employees working from home, first time delivery failures decreased as someone was home to accept packages reducing the requirement for an alternative delivery location. PUDO's Network is comprised mainly of convenience stores that were deemed essential services. This allowed PUDO's partners to successfully utilize alternative delivery locations when they did require the Network. The PUDOpoints supported their local communities as a safe haven for parcel deliveries.

While the Company continued to strategically manage the growth and development of the Network throughout Q2 FY 2022, overall parcel volumes increased by 74.6% compared to the three month period ended August 31, 2020 ("Q2 FY 2021"). In sequential quarters, overall parcel volumes in Q2 FY 2022 as compared to Q1 FY 2022 decreased 5.1%. During this quarter, Q2 FY 2022, partner shipments increased 86.2% over the same quarter in the previous year and during the first six months partner shipments increased 92.3% compared to same period in the prior year. During the same three month period, member shipment volumes were down 20.1% relative to the year earlier quarter as a result of the Canada-USA border continuing to be closed to non-essential travel due to the COVID-19 pandemic. In Q2 FY 2022, partner shipments represented 95% of the Company's total volumes, up from 89.1% in the same quarter in the prior fiscal year.

During the six months ended August 31, 2021 overall parcel volumes increased by 74.6% relative to the six months ended August 31, 2020, primarily as a result of increases in shipments in services that were previously launched or enhanced during the six months ended August 31, 2021.

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Below is a summary of PUDO's current parcel services being utilized by partners and customers:

- 📍 **Courier Pickup ("For Pickup" or "FPU"):** During Q2 FY 2022, PUDO continued to see growth within the FPU service with parcel volumes increasing by 326.2% compared to Q2 FY 2021. These volumes increased as PUDO's courier partners increased their utilization of the PUDOpoint Network in Canada enabling their customers to use PUDOpoints locations as drop off sites for pre-labeled parcels for courier pickup and delivery. In sequential quarters, courier pickup parcel volumes in Q2 FY 2022 as compared to the period ended May 31, 2021 ("Q1 FY 2022") decreased by 10.7%. During the six months ended August 31, 2021, FPU parcel volumes increased 405% relative to the six months ended August 31, 2020, as PUDO courier partners utilized the PUDOpoint Counters Network to offer a lower cost returns option to their e-commerce retailers using their courier services for returns.
- 📍 **Failed First Attempts ("FFA"):** During Q2 FY 2022, total FFA parcel volumes increased by 24.7% relative to Q2 FY 2021. In sequential quarters, parcel volumes in Q2 FY 2022 compared to Q1 FY 2022 decreased less than 1%. This decrease between these sequential quarters is most likely related to the impact of COVID-19 and customers continuing to work from home and able to accept their parcels, reducing the requirement of redirects to PUDO locations. During the six months ended August 31, 2021, FFA parcel volumes increased 22.7% relative to the six months ended August 31, 2020, as online e-commerce shopping continued to increase.
- 📍 **Third Party Logistics ("3PL"):** During Q2 FY 2022, 3PL parcel shipments increased by 69.1% over the prior year, Q2 FY 2021. The increase is a result of PUDO partners increasing the volume of parcel shipments that utilize PUDO's preferred shipping rates. In sequential quarters, 3PL parcel shipments in Q2 FY 2022 as compared to Q1 FY 2022 decreased by 36.6%. During the six months ended August 31, 2021, 3PL parcel volumes increased 87.3% relative to the six months ended August 31, 2020. This increase is a result of PUDO partners utilizing the preferred shipping rates provided by PUDO.
- 📍 **Returns:** During Q2 FY 2022 returns parcels increased by 71.8% as compared to the prior year, Q2 FY 2021. In sequential quarters, returns parcel volume in Q2 FY 2022 as compared to Q1 FY 2022 increased by 29.9%. During the six months ended August 31, 2021, returns parcel volumes increased 128.1% relative to the six months ended August 31, 2020. These increases are a result of PUDO's partners increasing the integration of their own clients' return requirements for use of the PUDO service as the value of this service offering provided by PUDO reduced costs for their clients.
- 📍 **Border Member:** During Q2 FY 2022 total member parcel volumes increased by 20% relative to Q2 FY 2021. This decrease is a direct result of COVID-19 and the closure of the Canada – USA border to non-essential travel effective April 2020. In sequential quarters, parcel volumes in Q2 FY 2022 compared to Q1 FY 2022 decreased by 5%. During the six months ended August 31, 2021, border member parcel volumes decreased by 36.6% relative to the six months ended August 31, 2020. These decreases are a result of COVID-19 and the continued confusion regarding the expectations of when the Canada-USA border will re-open to non-essential travel in the near future.
- 📍 **Pickup Counters:** Over 800 PUDOpoint Counter locations are available as "Hub Counters" in the USA and Canada as alternative delivery options for online shopping customers of a large US and Canada e-commerce retailer. These Hub Counters provide a location for safe and secure storage for parcels for pickup by the customer. During Q2 FY 2022 total Pickup Counter parcel volumes increased by 213.8% relative to Q2 FY 2021. The increase is a result of recruiting of new locations being added to the Hub Counter network during the prior year and now being fully utilized by the retailer's customers. In sequential quarters, Pickup Counter parcel volumes in Q2 FY 2022 as compared to Q1 FY 2022 decreased 8.6%. During the six months ended August 31, 2021, Hub Counter parcel volumes increased by 426.2% relative to the six months ended August 31, 2020.

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As PUDO continues to expand and maintain its services, a greater number of stakeholder partners and consumer members will minimize parcel losses and reduce dependence on specific carriers as PUDO provides a courier agnostic network of locations.

Outlook

"These past 18-months have been the very best for the Company," offers PUDO Founder and CEO Frank Coccia. "The same events that re-shaped our nations, our healthcare systems, global logistics, and the retail supply chain, have accelerated the need for and acceptance of the parcel 'pick-up and drop-off' (PUDO) model, also known as 'click and collect'." "We found somewhat solid ground with like-minded partners with whom we could share data and development strategies, and now we have a highly adaptive plug-and-play module to meet the needs of the shared economic future of e-commerce logistics. After a carefully planned start with retailers that control direct cart checkout on their websites, the SaaS platforms and technology solution we are integrating to add PUDO on a retailer's checkout while still providing the courier agnostic platform PUDO represents, will allow us to see a large ramp up in volumes and revenues in earnest starting this October."

Over the course of the 18-months that have passed since the COVID-19 related lockdown of 2020, the logistics industry has bobbed and weaved to accommodate unprecedented supply chain issues, wholesale changes to B2C and B2B e-commerce parcel deliveries, and to the online shopping habits of the tens of millions of North Americans working remotely from home.

At the same time, the biggest and most experienced of the online retailers, as well as global couriers and traditional mail carriers undertook historic and heroic spending and innovation to anticipate the quality and quantity of growth and innovation. The Company worked tirelessly in tandem with these changes, pivoting quickly to meet the ever-changing IT and integration requirements of all stakeholders, while at the same time anticipating and responding to the needs of consumers.

Q2 results show Network-wide growth year over year, but what remains unseen are significant and essential gains in IT integration of the PUDO platform with the major SaaS and other stakeholder partners who have reinvented themselves time and again, to optimize the future of e-commerce.

Technology has and will continue to drive change, but the crippling uncertainty of it appears to be over. Systemic IT and logistics unknowns are now known to the industry and to PUDO, and their challenges can be met to a larger or lesser degree as needed, in real time, to respond to this or future similar crisis.

All indications are that growth and development will be plug-and-play for the Company moving forward, with a new PUDO API that can and will appear in the check-out of independent retailers who use SaaS partner platforms to shop for the best possible rate to ship goods purchased online. This represents a significant and hard-won development above and beyond the North American partnership that PUDO has with North America's largest consolidated marketplace retailer/courier company – one that should benefit all partners as efficiencies and economies of scale optimize service, profitability, and confidence.

Tried and tested, the new PUDO API integration is now available for widespread adoption by retailers looking for time and money saving parcel delivery and return options that are convenient, satisfying and dependable for consumers.

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Financial Condition and Performance

Financial Performance

A summary of selected financial information for the three and six month periods ended August 31, 2021 and 2020 is included below:

PUDO Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
Revenue	\$ 447,034	\$ 269,685	\$ 963,281	\$ 583,318
Cost of sales	(306,452)	(169,796)	(666,341)	(378,953)
Gross profit	140,582	99,889	296,940	204,365
Administrative expenses	(408,734)	(355,214)	(876,850)	(743,253)
Share-based compensation*	(63,334)	(78,223)	(140,742)	(117,574)
Operating loss	(331,486)	(333,548)	(720,652)	(656,462)
Finance costs	-	(2,720)	(333)	(8,985)
Net loss and comprehensive loss for the period	\$ (331,486)	\$ (336,268)	\$ (720,985)	\$ (665,447)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)

*non-cash expense related to the amortization of performance options for directors, management, and employees.

During the three month period ended August 31, 2021, revenue was \$447,034 (August 31, 2020 - \$269,685), representing an increase of 65.7% over the same period last year due to new partner volumes and the successful sale of additional PUDO services to other partners, offset by the decrease in Failed First Attempt parcels to PUDOpoint Counter Locations as a result of a higher number of consumers being at home to accept their parcels during COVID-19 and as a result of the Canada-USA border being closed to non-essential travel due to COVID-19. For the six months ended August 31, 2021, revenue increased \$379,963 to \$963,281 representing a 65.1% increase over the same period in the prior year as a result of the increase in returns, FPU, and 3PL PUDO services.

Gross profit for the three month period ended August 31, 2021 was \$140,582 (August 31, 2020 - \$99,889) representing an increase of \$40,693 or 40.7% over the same period last year. Gross profit for the six month period ended August 31, 2021 was \$296,940 (August 31, 2020 - \$204,365) representing an increase of \$92,575 or 45.3% over the same period in the prior year. These increases are a result of increased use of PUDOpoint Counters by courier partners and for 3PL parcel shipment processing and the fixed costs associated with the shipping fees, which generates a lower gross profit margin than PUDO's FFA, FPU, and border member parcels.

During the three month period ended August 31, 2021, the Company reported a net loss of \$331,486 (\$0.01 basic and diluted loss per share), a decrease of \$4,782 compared with a net loss of \$336,268 (\$0.01 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. Most of this decreased loss was attributable to an increase in revenues and gross profit, offset by an increase in administrative expenses.

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The net loss for the six months ended August 31, 2021 was \$720,985 (\$0.03 basic and diluted loss per share), an increase of \$55,538 from a net loss of \$665,447 (\$0.02 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year, primarily due to an increase in salaries and benefits costs and administrative expenses overall and non-cash share-based compensation, offset by increased revenues and gross profit relative to the corresponding period of the prior fiscal year.

Administrative expenses for the three and six month periods ended August 31, 2021 were \$408,734 and \$876,850 (August 31, 2020 - \$355,214 and \$743,252), respectively, representing an increase relative to the corresponding periods in the prior fiscal year. These cost increases relate primarily to the impact of the increased customer support salaries and benefits costs overall during the three and six month periods as compared to the prior year.

Non-cash share-based compensation for the three and six month periods ended August 31, 2021 was recorded as \$63,334 and \$140,742 (August 31, 2020 - \$78,223 and \$117,574), respectively, representing an overall increase relative to the corresponding periods in the prior fiscal year.

Financial Condition

As at May 31, 2021, the Company had total assets of \$837,578 (February 28, 2021 - \$1,393,448). This decrease was primarily attributed to the related costs associated with operations.

As at August 31, 2021, the Company had a working capital surplus of \$211,654 (February 28, 2021 - \$749,867), had not yet achieved profitable operations, had used cash in operating activities of \$325,210 for the six month period ended August 31, 2021 (August 31, 2020 - \$586,242), had a deficit of \$10,982,422 as at August 31, 2021 (February 28, 2021 - \$10,349,436) and had shareholders' equity of \$335,508 (February 28, 2021 - \$915,751). These conditions reflect material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in raising the necessary funding to continue operations in the past, there is no assurance that it will be able to do so in the future.

Cash Flows

During the six months ended August 31, 2021, cash decreased by \$344,254 to \$405,454 (February 28, 2021 - \$749,708) due to \$325,210 cash used in operating activities, \$3,333 cash used in investing activities, \$13,045 cash used in financing activities, and due to the effects of translation of foreign currency further decreasing cash by \$2,672 (February 28, 2021 - \$6,295).

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Liquidity and Capital Resources

As noted in the Annual MD&A and previous Quarterly Highlights, the Company generates limited cash from operations. The Company's primary source of cash to date has been through convertible debentures, promissory notes and equity financings. The Company's outstanding loans and borrowings as at August 31, 2021 are fully repaid.

	August 31, 2021	February 28, 2021
Loan payable (Atlantic Canada Opportunities Agency)		
nil instalments repayable at \$4,458 per month	\$ -	\$ 13,374
Less: Discount future contractual cash flows	-	329
	-	13,045
Less: Current portion	-	13,045
	\$ -	\$ -

The Company has a history of successfully raising the capital needed to operate and believes it can continue to raise any necessary capital. However, the history of losses reflects material uncertainty which may cast significant doubt on the ability of the Company to continue to operate as a going concern.

The unaudited condensed interim consolidated financial statements for the three month and six month periods ended August 31, 2021 have been prepared with the assumption that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the course of operations. They do not include any adjustments that may be required if it were not able to continue as a going concern. The Company's financial statements for the year ended February 28, 2021 contain an emphasis of matter paragraph in its audit opinion related to its ability to continue as a going concern. Management believes that actions currently being taken, which primarily involve increasing revenues, controlling expenses, and raising additional capital will allow the Company to achieve profitability and allow the Company to continue as a going concern.

Related Party Transactions

During the three and six month periods ended August 31, 2021 and 2020, the Company incurred accounting fees and office rental, which is included in accounting and office expense, of \$10,350 and \$20,700 (August 31, 2020 - \$29,850 and 59,700), respectively to a company with a common officer and director.

During the three and six month periods ended August 31, 2021 and 2020, the Company had the following transactions with shareholders, management and directors:

	Three Months Ended		Six Months Ended	
	August 31,		August 31,	
	2021	2020	2021	2020
Share-based compensation	\$ 63,334	\$ 78,223	\$ 140,742	\$ 117,574
Salaries and benefits	47,693	49,806	95,425	83,484
Consulting fees	9,675	11,676	19,746	23,842
	\$ 120,702	\$ 139,705	\$ 255,913	\$ 224,900

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As at August 31, 2021, balances payable to the related parties noted above amounted to \$35,054 (February 28, 2021 - \$32,644) and are included in trade and other payables. These balances are unsecured, non-interest bearing and are due on demand.

All related party transactions were made on terms equivalent to those that would prevail in arm's length transactions.

Subsequent events

The Company evaluated subsequent events through September 28, 2021, the date these Interim Management's Discussion & Analysis - Quarterly Highlights were approved and authorized for issue. There were no material subsequent events that required recognition or additional disclosure in the Interim Management's Discussion & Analysis - Quarterly Highlights.

Risk Factors

The Annual Management's Discussion & Analysis for the year ended February 28, 2021, dated May 26, 2021 and filed on SEDAR (www.sedar.com), sets out a brief summary of certain risk factors for which adverse occurrences may have a material impact on the Company's future financial performance. We draw our readers' attention to that disclosure of risk factors. No significant changes to those risk factors have occurred in the 2022 fiscal year and to the date of this report, other than the impact of the COVID-19 pandemic on the general North American economy, and more specifically on PUDO's operations. This continues to be monitored by PUDO's management team as their customers, partners and members recover from the impact of the COVID-19 outbreak.